

Malaysia attractive to businesses but lacks talent, says World Bank
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By Lee Wei Lian

KUALA LUMPUR, Nov 21 — A World Bank report said today that Malaysia is at risk of developing two sides to its economy as its investment incentives shine but its internal talent lags behind.

This comes as Malaysia rose five spots this year to 18th in the World Bank's ease of doing business index and was also ranked 21st most-competitive country by the World Economic Forum.

The World Bank report noted that Malaysia's greatest advantage is its low-cost base and not its skills which are close to the levels seen in low-income countries.

"Malaysia is a very competitive country in the sense that it can provide businesses with an attractive package with which to compete in global markets," said the report, noting that the package included infrastructure, regulations, fiscal incentives and political stability.

It added however that Malaysia could realise larger gains by tackling structural reforms to increase competition and competencies in the economy rather than improving the business environment.

The report said the Global Locations Index prepared by global consulting firm A.T. Kearney, which ranked Malaysia third out of 50 countries for offshoring and outsourcing services, revealed "reasons for concern rather than encouragement."

"What emerges from analysing this index is that Malaysia ranks highly because its business environment, while not at the level of advanced economies, compares very favourably against lower-income countries, while labour costs remain much closer to lower-income countries than advanced economies," said the World Bank. "Malaysia's performance in skills is its weak point."

The report also noted a "worrisome" trend of an increasing gap between the University of Malaya (UM) and the National University of Singapore (NUS), Southeast Asia's leading university.

"The gap between UM and NUS has been high and generally increasing, especially in the sciences," said the report.

"There is a need to improve the performance of outcomes of universities," the World Bank's senior country economist for Malaysia, Frederico Gil Sander, told The Malaysian Insider in an interview.

Sander (picture) also said that the country needed to put structural reforms as recommended by the New Economic Model (NEM) on the "front burner" with the implementation of projects.

"The strategic reform initiatives need to be implemented in parallel and with the same

intensity," he said.

Since taking office in 2009, Prime Minister Datuk Seri Najib Razak has initiated a reform agenda which included a government and economic transformation programme to be driven by the special purpose performance management unit Pemandu.

Critics say that the lack of radical reforms so far however effectively amounted to policy tinkering that would deliver only lacklustre results.

Umno veteran and former Finance Minister Tengku Razaleigh Hamzah said earlier this month that Najib's reforms appeared to be coming in "drips and drabs".

Some analysts say however that the prime minister is constrained by hardliners in his party who would be opposed to widespread economic reforms that could threaten the rice bowls of politically-connected businessmen.

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